

Message Text

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TO AMEMBASSY LAGOS

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AMCONSUL KADUNA

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E.O. 11652: N/A

TAGS: BENC, BGEN,EINV, EQIP, NI

SUBJECT: KORF-LURGI SUCCESS IN NIGERIAN DIRECT REDUCTION
STEEL MILL

REFS: LAGOS 11863, STATE 252836, LAGOS 11611,
STATE 251291, LAGOS 11486

1. DEPARTMENT HAS OBTAINED FOLLOWING INFORMATION FROM
MIDREX CORPORATION OF CHARLOTTE, NORTH CAROLINA. SOURCE
REQUESTS INFORMATION PERTAINING TO NIGERIA BE HELD IN
STRICT CONFIDENCE UNTIL PUBLICLY ANNOUNCED.

2. ONE OF THE TWO DIRECT REDUCTION PROJECTS IS IN
NORTHERN NIGERIA, THE OTHER IN SOUTH. SOURCE NOT CERTAIN
PRECISE LOCATIONS, HOW GAS WILL BE PIPED TO NORTH, OR
WHICH PROJECT WON BY THYSEN AND WHICH BY KORF-LURGI
GROUP. IN ANY EVENT, KORF-LURGI NOW HAS LETTER OF INTENT
FOR ONE OF THE PROJECTS FROM FMG. EACH PROJECT INVOLVES
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DIRECT REDUCTION MILL, ELECTRIC ARC FURNACE, CONTINUOUS

CASTING MILL, AND POSSIBLE ROLLING MILL. KOBE STEEL OF JAPAN QUOTED THE MIDREX PROCESS IN COMPETITION WITH THYSSEN BUT WITHDREW AT LAST MINUTE.

3. MIDREX CORPORATION IS WHOLLY-OWNED SUBSIDIARY OF KORF GROUP HEADQUARTERED IN BADEN-BADEN, GERMANY. IT IS SEPARATE FROM KORF-USA, ANOTHER WHOLLY-OWNED SUBSIDIARY, BUT THE TWO COMPANIES SHARE SAME OFFICE BUILDING IN CHARLOTTE. MIDREX CORPORATION OWNS THE MIDREX DIRECT PROCESS AND LICENSES IT TO KORF ENGINEERING (50-PERCENT OWNED BY KORF GROUP) OF DUSSELDORF, LURGI OF FRANKURT, MITSUI, AND KOBE. IN THE CASE OF NIGERIA, TWO MIDREX LICENSEES FORMED CONSORTIUM TO BID THE ENTIRETY OF ONE OF THE PROJECTS. WHEN THE PROJECT GETS GOING SOME OF THE ENGINEERING WILL BE DONE IN CHARLOTTE. WHEN THE MILL BECOMES OPERATIONAL, PROCESS ROYALTIES WILL BE PAID TO MIDREX CORPORATION IN THE UNITED STATES.

4. SOURCE ASSUMES THAT TENDERS AND DECISIONS FOR ALL MAJOR SUB-SYSTEMS AND EQUIPMENT WILL BE MADE IN DUSSELDORF AND/OR FRANKFURT TO THE EXTENT THEY ARE NOT MADE IN LAGOS.

ROBINSON

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